

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5094-01
Bill No.: HB 1885
Subject: Medicaid/MO HealthNet; Disabilities; Elderly; Social Services Department
Type: Original
Date: January 16, 2018

Bill Summary: This proposal allows structured family caregiving as a covered services under MO HealthNet, subject to the approval of federal waivers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$117,500)	\$0 to (\$89,990,453)	\$0 to (\$92,107,004)
Total Estimated Net Effect on General Revenue	(\$117,500)	\$0 to (\$89,990,453)	\$0 to (\$92,107,004)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Federal *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income, savings, expenses and losses \$0 to exceeding \$317,000,000 annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§208.896 - Structured Family Caregiving

Officials from the **Department of Health and Senior Services (DHSS), Division of Senior and Disability Services (DSDS)** provide the following assumptions:

Section 208.896

The proposed legislation specifies that the Aged and Disabled Waiver (ADW) would have the structured family caregiver service added.

The number of unduplicated participants having paid claims under the Aged and Disabled Waiver in FY2017 was 15,888.

The addition of structured family caregiver as a covered home- and community-based services waiver service would require approval of modifications to the ADW by the Centers for Medicare and Medicaid Services (CMS). In addition, the ADW is an agency model only and to add consumer direction will require the addition of Financial Management Services (FMS) at the cost of \$110 per participant per month. The costs of providing FMS are not included in the cost cap calculation and, therefore, represent a cost above and beyond the 75% cost cap for structured family caregiving.

Section 208.896.1

For fiscal note purposes, DSDS assumes structured family caregiving would be available to all of the individuals listed above and that two or more caregivers for each participant would require training. DSDS suspects that additional individuals will opt for structured family caregiver, though an estimate cannot be given at this time, driving an increase in costs.

Changes will be required to the Home- and Community-Based Services (HCBS) web tool system in which HCBS assessments are completed and HCBS authorizations are approved. Using a similar recent change, where an HCBS waiver was added, DSDS estimates the cost to be at least \$200,000, paid at the administrative match rate of 50 percent General Revenue (GR) and 50 percent Federal. The changes would be completed in FY2019 in preparation for implementation on July 1, 2019.

DHSS, DSDS assumes that any costs associated with changes in the Medicaid Management Information System (MMIS) would be included in the estimate by the Department of Social Services.

ASSUMPTION (continued)

Section 208.896.2(8)

For fiscal note purposes, DHSS calculated the daily rate for structured family caregiving as no more than 75 percent of the daily nursing home cost cap. A participant would still be able to access other HCBS services under the Aged & Disabled Waiver up to 100 percent of the nursing home cost cap once the 75 percent cap has been met for structured family caregiving.

DHSS calculated the daily rate for structured family caregiving based on the cost cap amount for HCBS, which is \$3,318 per month, or \$109.10 per day ($\$3,318 \times 12 \div 365 = \109.10 , rounded). An annual increase in the cost cap rate of 2.5 percent is estimated based on the previous four-year average resulting in a daily rate at implementation in **FY2020 of \$114.63** ($\109.10×1.025 (FY19) $\times 1.025$ (FY20) = \$114.63). **Tier I** is figured at **65 percent** of the cost cap resulting in a daily rate at implementation in FY2020 of **\$74.51** ($\$114.63 \times 0.65 = \74.51), **Tier II** is figured at **70 percent** of the cost cap resulting in a daily rate at implementation in FY2020 of **\$80.24** ($\$114.63 \times 0.70 = \80.24), and **Tier III** is figured at **75 percent** of the cost cap resulting in a daily rate at implementation in FY2020 of **\$85.97** ($\$114.63 \times 0.75 = \85.97).

The estimated daily rate for **FY2021 is \$117.50** ($\$114.63 \times 1.025 = \117.50). **Tier I** is figured at **65 percent** of the cost cap resulting in a daily rate at implementation in FY2021 of **\$76.38** ($\$117.50 \times 0.65 = \76.38), **Tier II** is figured at **70 percent** of the cost cap resulting in a daily rate at implementation in FY2021 of **\$82.25** ($\$117.50 \times 0.70 = \82.25), and **Tier III** is figured at **75 percent** of the cost cap resulting in a daily rate at implementation in FY2021 of **\$88.13** ($\$117.50 \times 0.75 = \88.13).

Cost of Services

In FY2017, the number of Aged and Disabled Waiver participants that had care plans not exceeding 75% of the nursing home cost cap was 12,442. The breakdown of participants in each of the Tiers is as follows:

	Unduplicated Participants
Tier I	5,322
Tier II	5,787
Tier III	1,333

FY 2020

DSDS estimates the cost of structured family caregiver in FY2020 for **Tier I participants** = $((5,322 \times 365 \times \$74.51 = \$144,737,910) + (5,322 \times 12 \times \$110.00 \text{ FMS} = \$7,025,040)) = (\$0 \text{ to } \$151,762,950)$.

ASSUMPTION (continued)

DSDS estimates the cost of structured family caregiver in FY2020 for **Tier II participants** = $((5,787 \times 365 \times \$80.24 = \$169,487,341) + (5,787 \times 12 \times \$110.00 \text{ FMS} = \$7,638,840)) = (\$0 \text{ to } \$177,126,181)$.

DSDS estimates the cost of structured family caregiver in FY2020 for **Tier III participants** = $((1,333 \times 365 \times \$85.97 = \$41,828,274) + (1,333 \times 12 \times \$110.00 \text{ FMS} = \$1,759,560)) = (\$0 \text{ to } \$43,587,834)$.

DSDS estimates the cost of structured family caregiver in **FY2020 = (\$0 to \$372,476,965)**.

Oversight notes that based on information obtained from DHSS officials, the number of participants in each Tier is based on the point count of current clients. Tier I clients are those clients that need the least help with daily activities (score 21-27 points on the assessment); Tier II clients need more help (score of 30-39 on the assessment); and Tier III clients need the most help (score of 42 and higher on the assessment). Therefore, of the current Aged and Disabled Waiver clients DHSS serves, 42.8% (5,322 clients) had assessment scores that put them in Tier I; 46.5% (5,787 clients) had assessment scores that put them in Tier II; and 10.7% (1,333 clients) had assessment scores that put them in Tier III. $(5,322 + 5,787 + 1,333 = 12,442)$

The minimum level of care (LOC) to receive services was changed from 21 to 24 effective July 1, 2017 upon the participant's annual reassessment. DSDS has experienced a very high percentage of participants with an LOC of 21, who upon reassessment, were found to have an LOC of 24 or higher and therefore, still eligible for services. Based on current experiences of the reassessments, the LOC change from 21 to 24 has shown to have minimal effect on the number of participants in the program; therefore, the impact within Tier I going forward is unknown but expected to be minimal.

FY 2021

DSDS estimates the cost of structured family caregiver in FY2021 for **Tier I participants** = $((5,322 \times 365 \times \$76.38 = \$148,370,441) + (5,322 \times 12 \times \$110.00 \text{ FMS} = \$7,025,040)) = (\$0 \text{ to } \$155,395,481)$.

DSDS estimates the cost of structured family caregiver in FY2021 for **Tier II participants** = $((5,787 \times 365 \times \$82.25 = \$173,732,974) + (5,787 \times 12 \times \$110.00 \text{ FMS} = \$7,638,840)) = (\$0 \text{ to } \$181,371,814)$.

DSDS estimates the cost of structured family caregiver in FY2021 for **Tier III participants** = $((1,333 \times 365 \times \$88.13 = \$42,876,211) + (1,333 \times 12 \times \$110.00 \text{ FMS} = \$1,759,560)) = (\$0 \text{ to } \$44,638,771)$.

DSDS estimates the cost of structured family caregiver in **FY2021 = (\$0 to \$381,406,066)**.

ASSUMPTION (continued)

MO HealthNet covered services are reimbursed at the Federal Medical Assistance Percentage (FMAP). For this estimate, DSDS is using the FY2019 blended rate of 34.797 percent General Revenue (GR) and 65.203 percent Federal. The estimated reimbursement amounts for structured family caregiver calculated for FY2020 and FY2021 were multiplied by the estimated number of participants for the ADW in FY2017 and the FY2019 blended FMAP rate applied.

Cost of Family Caregiver Services for Tiered HCBS Daily Rates					
	Unduplicated Participants	FY2020 Family Caregiver Daily Rate	FY2020 Estimated Annual Cost	FY2021 Family Caregiver Daily Rate	FY2021 Estimated Annual Cost
ADW					
Tier I	5,322	\$74.51	\$144,737,910	\$76.38	\$148,370,441
Tier II	5,787	\$80.24	\$169,487,341	\$82.25	\$173,732,974
Tier III	1,333	\$85.97	\$41,828,274	\$88.13	\$42,879,211
Subtotal	12,442		\$356,053,525		\$364,982,626
GR			\$123,895,945		\$127,003,004
FED			\$232,157,580		\$237,979,622
Cost of FMS for Family Caregiver Services					
	Unduplicated Participants	FY2020 Financial Management Services Monthly Rate	FY2020 Estimated Annual Cost	FY2021 Financial Management Services Monthly Rate	FY2021 Estimated Annual Cost
ADW					
Tier I	5,322	\$110.00	\$7,025,040	\$110.00	\$7,025,040
Tier II	5,787	\$110.00	\$7,638,840	\$110.00	\$7,638,840
Tier III	1,333	\$110.00	\$1,759,560	\$110.00	\$1,759,560
Subtotal	12,442		\$16,423,440		\$16,423,440
GR			\$5,714,864		\$5,714,864
FED			\$10,708,576		\$10,708,576

Total Cost of Family Caregiver Services					
	Unduplicated Participants	FY2020 Cost for Services Rate	FY2020 Estimated Annual Cost	FY2021 Cost for Services Rate	FY2021 Estimated Annual Cost
ADW	12,442	Varies	\$372,476,965	Varies	\$381,406,066
GR			\$129,610,809		\$132,717,869
FED			\$242,866,156		\$248,688,197

ASSUMPTION (continued)

Offsetting Savings

The FY2017 paid claims expenditures for the ADW Waiver for those participants that do not exceed 75% of the nursing home cost cap was \$105,731,643. That cost was then multiplied by the average annual growth in the cost cap of 2.5 percent for FY2019, FY2020, and FY 2021. The estimated savings would be:

FY2020 = \$113,861,415

FY2021 = \$116,707,950

The FY2019 blended rate of 34.797 percent General Revenue and 65.203 percent Federal was applied to the total estimated cost waiver services for FY2020 and FY2021. This is the amount of the maximum estimated savings.

	FY2020 Estimated Waiver Savings	FY2021 Estimated Waiver Savings
Total	\$113,861,415	\$116,707,950
GR	\$39,620,357	\$40,610,865
FED	\$74,241,058	\$76,097,085

Net Effect

Federal matching funds would be utilized as offset for 65.203 percent of the costs. For the purposes of this estimate, the number of unduplicated participants authorized in each waiver has no caseload growth factor applied. There is likely to be caseload growth in the ADW Waiver.

	FY2020			FY2021		
	GR	FED	TOTAL	GR	FED	TOTAL
Estimated Cost Maximum Savings	(\$129,610,810)	(\$242,866,156)	(\$372,476,965)	(\$132,717,869)	(\$248,688,197)	(\$381,406,066)
	\$39,620,357	\$74,241,058	\$113,861,414	\$40,610,865	\$76,097,085	\$116,707,950
Subtotal	(\$89,990,453)	(\$168,625,097)	(\$258,615,550)	(\$92,107,003)	(\$172,591,112)	(\$264,698,116)
Federal Match		\$168,625,097	\$168,625,097		\$172,591,112	\$172,591,112
Net Effect	(\$89,990,453)	\$0	(\$89,990,453)	(\$92,107,003)	\$0	(\$92,107,003)

ASSUMPTION (continued)

TOTAL COST

DSDS is unable to determine the exact cost of the proposal due to the following unknown factors:

- if CMS would approve waiver amendments to add structured family caregiver;
- the number of participants who would opt for structured family caregiver;
- the amount of units of structured family caregiver each participant would use;
- the number of additional participants who would be added to the ADW waiver;
- the number of providers who would participate as structured family caregiver agencies; and
- the number of individuals each provider would have participate in train-the-trainer programs.

Therefore, the estimated total fiscal impact of this fiscal note is (\$100,000) GR in FY2019; (\$0 to \$89,990,453) GR in FY2020 and (\$0 to \$92,107,003) GR in FY2021.

Section 208.896.3(1)

Submission and approval of amendments to the ADW waiver would be required by the Centers for Medicare and Medicaid (CMS) prior to implementation, no later than July 1, 2019. These duties would be absorbed by existing DHSS staff.

Section 208.896.3(2)

DHSS would be required to develop criteria, regulations, and policies for structured family caregiver agencies for staffing, quality, qualification, and training standards. These duties would be absorbed by existing DSDS staff.

Officials from the **Department of Social Services (DSS)**, **MO HealthNet Division (MHD)** and **Division of Legal Services (DLS)** state structured family caregiving shall be added as a covered home-and community-based waiver service in the Missouri Aged and Disabled Adult Waiver subject to federal approval of waiver amendments. Structured family caregiving provides for a choice of caregivers including family caregivers, and can be provided in the caregiver's home or the participant's home. Within 90 days of the effective date DSS shall apply to the United States Secretary of Health and Human Services for an amendment to the Aged and Disabled Adult Waiver to include structured family caregiving. DSS shall request an effective date of not later than July 1, 2019 and by such date shall take all administrative actions necessary to ensure timely and equitable availability.

ASSUMPTION (continued)

This version requires payment to be based on medical necessity, but cannot exceed 75% of the daily nursing home cost cap.

Services in the Aged and Disabled Waiver are paid via the DHSS budget. MHD assumes structured family caregiving services will be paid via DHSS budget as well. It is also assumed that DHSS will be the operating agency for the service/program. The staffing for the program, evaluation, assessment, and policy and procedure development will be with DHSS.

This bill requires MHD to seek amendments to a Home- and Community-Based Services (HCBS) waiver to allow structured family caregiving to become a covered service. MHD assumes new provider types will need to be added in order to properly track and report this new service. This will be completed by Medicaid Management Information Systems (MMIS) and Wipro (information technology (IT) services consulting firm). It is estimated it will take 500 hours of work. Other costs include adding the new service to Cognos (data reporting tool), finance reports and Centers for Medicare and Medicaid Services (CMS) reports which accounts for 100 hours of work. There will also need to be a System Task Request (STR) completed through Wipro in order for system changes to occur which is an additional 100 hours of work. The estimated total hours of work is 700 hours. MHD uses \$100/hour to estimate the changes and updates. Therefore, the cost to MHD is \$70,000, split 75 Federal funds/25 State General Revenue. There are no ongoing costs for MHD.

In FY15, 920 individuals closed their Aged and Disabled Adult Waiver cases due to entering a skilled nursing facility (SNF). However, it is the experience of the staff that works with this population that these individuals needed skilled care and a family caregiver would not have prevented them from needing to go into SNF. If MHD had a large population of individuals in SNF in MO that could afford housing outside of a facility, secure a payer for their care, and live with a family caregiver rather than a skilled caregiver, MHD might expect to see some significant savings. However, that is not the population that is in SNF in MO. The average age of SNF residents is 74 years old and their average length of stay is less than two years. The DSS cannot reliably estimate what number of individuals will leave SNF for structured family caregiving. DSS is not estimating a savings from this group; however, if there were a savings, the GR savings is estimated at \$3,583 annually per person. Because the nursing facility provider tax pays for nearly 50% of the state share of skilled nursing facility costs, the full state share savings as a GR or GR equivalent cannot be realized.

ASSUMPTION (continued)

Similarly, there are about 207 people in the Money Follows the Person (MFP) program that leave a SNF annually. When an individual leaves a nursing home through the MFP program, the state saves \$13.86 per day in GR. Therefore, every individual that leaves SNF on the MFP program saves the state \$5,058.90 annually in GR. These individuals are typically more acute so their savings is higher than the general population (noted above).

DSS estimates the impact of this proposal to be a cost to GR of \$17,500 and \$52,500 to Federal Funds for FY 19 for IT system costs.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Secretary of State (SOS)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to other legislation with similar rules language, the SOS has stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Savings</u> - DHSS (§208.896)		\$0 to...	\$0 to...
Reduction in HCBS waiver services	\$0	\$39,620,357	\$40,610,865
<u>Costs</u> - DHSS (§208.896)		\$0 to...	\$0 to...
Webtool changes	(\$100,000)	\$0	\$0
Structured Family Caregiver services	\$0	(\$129,610,810)	(\$132,717,869)
Total <u>Costs</u> - DHSS	<u>(\$100,000)</u>	<u>\$0 to</u> <u>(\$89,990,453)</u>	<u>\$0 to</u> <u>(\$92,107,004)</u>
<u>Costs</u> - DSS (§208.896)			
Equipment and expense to update MMIS system	<u>(\$17,500)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$117,500)</u>	<u>\$0 to</u> <u>(\$89,990,453)</u>	<u>\$0 to</u> <u>(\$92,107,004)</u>
FEDERAL FUNDS			
<u>Income</u> - DHSS (§208.896)		\$0 to...	\$0 to ...
Webtool updates	\$100,000	\$0	\$0
Structured Family Caregiver service reimbursement	\$0	\$242,866,156	\$248,688,197
<u>Income</u> - DSS (§208.896)			
Increase in reimbursements	\$52,500	\$0	\$0
<u>Savings</u> - DHSS (§208.896)		\$0 to...	\$0 to ...
Reduction in HCBS waiver expenditures	<u>\$0</u>	<u>\$74,241,058</u>	<u>\$76,097,085</u>
Total All - <u>Income and Savings</u>	<u>\$152,500</u>	<u>\$0 to</u> <u>\$317,107,214</u>	<u>\$0 to</u> <u>\$324,785,282</u>

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
FEDERAL FUNDS (continued)			
<u>Costs</u> - DHSS (§208.896)		\$0 to...	\$0 to ...
Webtool updates	(\$100,000)	\$0	\$0
Structured Family Caregiver Services	\$0	(\$242,866,156)	(\$248,688,197)
<u>Costs</u> - DSS (§208.896)			
Equipment and expense to update MMIS system	(\$52,500)	\$0	\$0
<u>Loss</u> - DHSS (§208.896)		\$0 to...	\$0 to ...
Reduction in HCBS waiver reimbursements	\$0	(\$74,241,058)	(\$76,097,085)
Total All - <u>Costs and Losses</u>	(\$152,500)	\$0 to (\$317,107,214)	\$0 to (\$324,785,282)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on small businesses that could provide structured family caregiving to clients.

FISCAL DESCRIPTION

This bill adds structured family caregiving to the MO HealthNet Program to ensure the availability of comprehensive and cost-effective choices for a MO HealthNet participant to live at home in the community of his or her choice and to receive support from a caregiver of his or

FISCAL DESCRIPTION (continued)

her choice. Structured family caregiving must be added as a covered home- and community-based waiver service in the Missouri aged and disabled adult waiver, subject to federal approval of any amendments to the home- and community-based waiver and the independent living waiver which are necessary to implement these provisions.

The bill specifies what the added structured family caregiving service must include. Within 90 days of the effective date of these provisions, the Department of Social Services must, if necessary to implement the provisions of this section, apply to the United States Secretary of Health and Human Services for an amendment to the aged and disabled adult waiver and the independent living waiver for the purpose of including structured family caregiving as a covered service for eligible home- and community-based waiver care participants. The division must request an effective date of not later than July 1, 2019, and must take all administrative actions necessary to ensure time and equitable availability of structured family caregiving services for any home- and community-based care participant.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health and Senior Services -
 Division of Senior and Disability Services
Department of Social Services -
 MO HealthNet Division
 Division of Legal Services
Joint Committee on Administrative Rules
Office of Secretary of State

Ross Strobe



Acting Director
January 16, 2018